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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)	
)	
Proposed Revision of Maximum Collection)	CC Docket No. 96-45
Amounts for Schools and Libraries and Rural)	DA 98-872
Health Care Providers. Public Notice)	
)	
To: The Common Carrier Bureau)	

COMMENTS OF MACTEL, INC.

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May 22, 1998

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COMMENTS OF MACTEL, INC.

Summary

MACTel, Inc. provides cellular service in the Anchorage, Alaska MSA. MACTel opposes the Common Carrier Bureau's proposal to more than double telecommunications carriers' universal service contributions to the schools and libraries fund based on the misguided assumption that this increase will somehow be off-set by a reduction in access charges. This proposal will increase universal service burdens for CMRS providers in rural and insular areas, and threatens the affordability of wireless services in these areas.

A. Rural and Insular CMRS Providers Will Bear A Disproportionate Share Of The Increased Contributions.

The Bureau's *Notice* seeks to more than double carriers' quarterly contributions for the schools and libraries program.^{1/} The Bureau justifies this tremendous increase on the grounds that it will be off-set by a reduction in access charges effective July 1, 1998. Although this may be true for interstate, interexchange carriers, it

^{1/} The contribution factor for the second quarter of 1998 was 0.0076. The proposed contribution factor for the third quarter of 1998 is 0.0154.

is not true for CMRS providers. CMRS providers pay termination charges, not access charges. If, as proposed, the Bureau doubles the contribution factor for the schools and libraries program, it will disproportionately increase the universal service burdens on CMRS providers.

Paradoxically, CMRS providers in rural and insular areas will be most severely affected by these increased burdens. These providers, such as MACtel, provide almost exclusively intrastate services. Their service areas tend to be small and wholly intrastate. Accordingly, only a small percentage of their revenues is derived from interstate services. For CMRS providers, doubling the contribution factor for the schools and libraries fund essentially means doubling their entire universal service contributions. Thus, their burden of funding universal service programs will be disproportionately increased with no decrease in their costs of providing services.

B. The Bureau's Proposal Will Reduce CMRS Penetration Rates In Insular And Rural Areas.

The CMRS penetration rates in rural and insular areas -- areas that are likely to be eligible for high cost assistance -- can be very high. The reason for this is obvious: The high cost of providing landline telephone service makes wireless telecommunications a reasonable and affordable alternative. In Anchorage, the most urban area in Alaska, the cellular penetration rate is close to 40 percent.^{2/} Wireless

^{2/} Anchorage has a population of approximately 250,000. There are approximately 100,000 cellular phones in Anchorage.

services are very much a supplement to landline local exchange service in the Anchorage and surrounding areas. In more rural areas of Alaska, wireless services are a substitute for landline local exchange services.

"[T]he traditional core goal of universal service has been to ensure that basic residential telephone service . . . is affordable."^{3/} The Bureau's proposal substantially to increase the contribution factor for the schools and libraries program threatens this fundamental purpose of universal service. CMRS providers in rural and insular area may have no option but to pass on to subscribers their increased costs of funding universal service. This in turn may make wireless services -- which in many areas of Alaska is the only type of telecommunications service available -- unaffordable. The Bureau's proposal would thus contravene the fundamental universal service goal of keeping residential rates low.

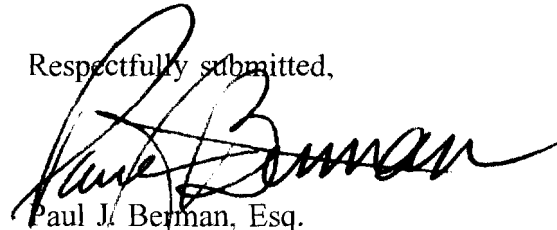
^{3/} Federal-State Joint Board on Universal Service, *Report and Order*, 12 FCC Rcd 8776, ¶ 817.

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Conclusion

For the foregoing reasons, MACtel urges the Bureau to reject its proposal to double the contribution factor for the schools and libraries fund. If the Bureau wishes to increase contributions to this fund based on corresponding reductions in access charges, those increases should be imposed only on carriers that pay access charges.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul J. Berman", is written over the typed name and address.

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